

Taiwan Joins the WTO: Anticipated Opportunities for U.S. Food Exports

Taiwan officially entered the World Trade Organization (WTO) on Jan. 1, 2002, where it will be designated as Chinese Taipei. Taiwan's entry into the WTO's rules-based global trading system follows 12 years of intense negotiations with Australia, the European Union, New Zealand and the United States.

About 15-20 percent of the products sold in Taiwan's supermarkets and hypermarkets, as well as about 15 percent of the products sold in convenience stores, are imported. Imports are expected to increase because Taiwan agreed to reduce tariffs and open its markets to gain WTO membership. Under the U.S.-Taiwan bilateral market access agreement, Taiwan agreed to open its rice market for the first time and to increase access for pork, beef and poultry variety meats and chicken meat.

Demographics

Taiwan is 13,900 square miles in area. About two-thirds of the island is covered with lushly forested mountains. People on the west coast spend more on food than those living on the east coast, but the cities Taipei and Kaohsiung have the highest expenditures for food. The majority of all department stores, convenience stores, supermarkets and hypermarkets are located in the northern portion of the island.

The average age of convenience-store customers is around 20. More shelf space is now allocated to trendy and fashionable products, especially products in small and attractive packaging. This reflects the targeting of younger consumers.



Market Entry

Traditionally, buyers for Taiwan's supermarkets, hypermarkets and convenience stores purchase from local importers, wholesalers and manufacturers. However, the trend is toward direct imports to avoid the higher cost of products purchased from importers and local manufacturers. U.S. suppliers interested in expanding their business with these retail chains are encouraged to contact them directly. Buyers in Taiwan's retail stores tend to buy and import directly those products that are already well-known in the market.

A trend among supermarkets and hypermarkets is to begin importing directly from a consolidator that can arrange one large shipment containing a variety of new and/or already-in-the-market products.

A visit to Taiwan is an excellent way to start establishing meaningful relationships with potential buyers. U.S. suppliers are encouraged to bring product samples for potential buyers, as many importers and retailers rely heavily upon subjective factors when deciding on new products to represent.

U.S. companies wishing to promote their new-to-market or already-in-the-market products in retail stores are encouraged to contact store buyers directly. Taiwan's major

retail chains usually maintain teams of buyers specializing in product categories. However, it is recommended that you initially contact the team leaders and food directors or managers to introduce your company and products. After further contacts, these retail chains might purchase and import directly or through a designated importer.

- **Direct:** The best method to reach Taiwan's retail buyers is to initially contact them directly via e-mails or faxes. Product catalogues and price lists are essential. Sample products are helpful. U.S. suppliers can obtain a list of major Taiwan retail stores from the Agricultural Trade Office (ATO), Taipei.
- **Indirect:** U.S. companies may wish to concentrate on establishing their business relationships with a reliable and efficient importer and distributor, who in turn will sell the imports to these retail stores. The ATO Taipei maintains listings of potential importers for U.S. suppliers.
- **Online Purchasing:** Some retail chains, especially those with foreign joint venture partners such as Carrefour and RT Mart, currently purchase online a very limited group of product items.



TAIWAN'S ACCESSION IS EXPECTED TO LIBERALIZE FOOD IMPORTS.

Retail Service Trends

Taiwan's retail food chains will increase the number of products carried and services offered to attract more customers. Taiwan's individual food needs are changing, because many women are working outside the home and there are more single-person households. As a result, small packaged products and ready-to-cook dishes are becoming more popular. Retail stores are increasing the percentage of convenience foods, microwaveable foods, vegetarian foods and health foods in their offerings. To attract working women and individuals living alone, retail stores continue to extend their services, such as home delivery and businesses inside their stores—like bakeries, restaurants, dry-cleaners, photo studios and ready-to-eat food kiosks.

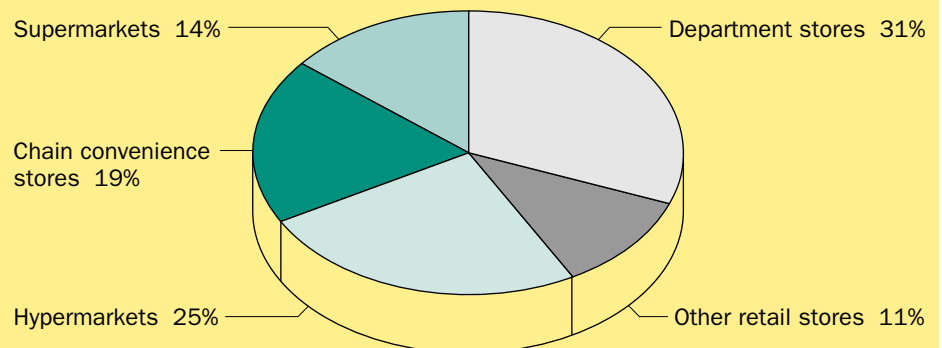
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Food Retailing in Taiwan

Although modern Western-style retail stores have been present in Taiwan for more than 20 years, there has been explosive growth in convenience stores, supermarkets and hypermarkets. Food retailing in Taiwan has entered a new era—one of strong competition, mergers and greater concentration.

According to statistics from Taiwan's Ministry of Economic Affairs, convenience stores, supermarkets and hypermarkets currently account for 57 percent, or \$11 billion, of Taiwan's total food sales. The market share of these modern food outlets is projected to continue to rise during the next few years.

Taiwan's Retail Outlet Market Share



Total Modern Retail Sales \$19 Billion

Last year, U.S. agricultural exports to Taiwan totaled more than \$2 billion. The Taiwan market ranked as the fifth largest for imports of U.S. agricultural products. Taiwan's WTO accession could add some \$500 million a year to U.S. sales. Now that Taiwan is in the WTO, U.S. high-quality beef, fresh fruits and vegetables, seafood, frozen prepared foods and other processed foods will face significantly lower import duties. However, Taiwan's WTO membership will also intensify competition among

the world's major food and agricultural exporters for a share of Taiwan's growing food import market.

Import tariffs for agricultural products will be reduced from a pre-accession average of 22.02 percent to 14.01 percent in the year following accession, and tariffs will be trimmed gradually to around 12 percent by the end of 2005. Tariffs on some 300 items of key interest to the United States were cut an average of 45 percent upon accession. ■

Weighing the Pros and Cons: U.S. Agricultural Trade in Taiwan

Advantages

- Taiwan's consumers perceive U.S. products to be of high quality.
- The majority of consumers can afford imported food products.
- Taiwan's WTO accession will provide U.S. exporters with more market opportunities.
- The growing, modern retail industry is looking for new imported food products.

Disadvantages

- Importers and retailers lack familiarity with U.S. brands.
- Consumers lack brand awareness.
- Competition among major world agricultural and food exporters for a share of Taiwan's growing market will further intensify after WTO accession.
- Importers and retailers lack knowledge and training in purchasing, handling and merchandising U.S. products.



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For more information or assistance in exporting to this market, contact the Agricultural Trade Office (ATO), American Institute in Taiwan, Taipei, Taiwan; Tel: (886-2) 2305-4883; Fax: (886-2) 2305-7073; E-mail: ato@mail.ait.org.tw, or ATOTaipei@fas.usda.gov

Taiwan's Imported Unprocessed Foods

- **Fresh fruits:** Direct import of fresh fruits by retail stores is expected to continue to increase during the next few years from the current 15 percent of Taiwan's total fresh fruit imports.
- **Fresh and frozen meats:** On average, the ratio of direct and indirect beef imports by Taiwan's hypermarkets is 40:60. Local importers provide beef imports to supermarkets, and both supermarkets and hypermarkets purchase pork from local importers.
- **Fresh and frozen seafood:** All but 2 percent of imported seafood is sold to retail stores through importers, wholesalers and distributors.
- **Private label:** Because the average selling price of private label products is 15-20 percent lower than for branded items, they are increasing in popularity. Many retail chains active in the Taiwan market, including 7-Eleven, Makro, Wellcome, Aimai-Geant, Costco and Tesco, are aggressively promoting private label products (both imported and domestic) to offer differentiation and increase markups.

For details, see FAS Reports TW1035, TW1048, TW1053 and TW2002.

To find them on the Web, start at www.fas.usda.gov, select **Attaché Reports** and follow the prompts.

